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DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

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CHIEF DEPUTY

February 13, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley *tm*
Auditor-Controller

SUBJECT: **TO HELP EVERYONE CLINIC, INC. – A DEPARTMENT OF PUBLIC
HEALTH HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
PROVIDER**

We have completed a fiscal review of To Help Everyone Clinic, Inc. (Agency), a Department of Public Health (DPH) HIV/AIDS preventive care and care services provider.

Background

The DPH's Office of AIDS Programs and Policy (OAPP) contracts with the Agency to provide HIV/AIDS case management, medical and psychiatric outpatient services and health education risk reduction outreach services. The Agency is located in the Second District.

At the time of our review, the Agency had two cost reimbursement contracts with OAPP. The Agency received \$470,146 in OAPP funds from January 1, 2006 to March 31, 2007.

Purpose/Methodology

The purpose of our review was to ensure that the Agency appropriately charged OAPP for services provided in accordance with the County contract. We also evaluated the

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adequacy of the Agency's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency (CARE) Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, the Agency maintained documentation to support the eligibility of the individuals that received program services. The Agency also appropriately recorded and deposited cash receipts timely into the Agency's bank account.

The Agency did not always maintain documentation to support their program expenditures. In addition, the Agency needs to strengthen their internal controls over processing the monthly invoices to OAPP and recording transactions in their accounting records. For example:

- The Agency did not maintain appropriate documentation to support \$6,636 (62%) of the \$10,736 expenditures reviewed.
- The Agency indicated that the monthly invoices submitted to OAPP were based on the program expenditures recorded in the Agency's accounting records. However, for October, November and December 2006 the Agency billed OAPP \$98,579 during the three-month period. The Agency's accounting records reported program expenditures totaling \$94,769. This resulted in a difference of \$3,810. The Agency acknowledged that some program expenditures on the monthly invoices were not recorded in their accounting records, and they could not explain the reason for the difference.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

On September 20, 2007, we discussed our report with the Agency. In their attached response, the Agency agreed with the findings and recommendations. The Agency also provided appropriate documentation to support \$2,710 of the \$6,636 in undocumented costs.

The Agency also included several attachments that we did not include due to the confidential nature of some of the documents and the large number of documents. Copies of the attachments are available upon request. We notified DPH of the results of our review.

We thank the Agency for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Jamesina E. Henderson, Chief Executive Officer, T.H.E. Clinic, Inc.
Public Information Office
Audit Committee

**HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
TO HELP EVERYONE CLINIC, INC.
FISCAL YEAR 2006-2007**

ELIGIBILITY

Objective

Determine whether To Help Everyone Clinic, Inc. (Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for eight (9%) of the 87 program participants that received services from July to December 2006 for documentation to confirm their eligibility for OAPP services.

Results

The Agency maintained appropriate documentation to support the participants' eligibility to receive program services.

Recommendation

There are no recommendations in this section.

CASH

Objective

Determine whether cash receipts are properly recorded in the Agency's financial records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's July 2006 bank reconciliation.

Results

The Agency appropriately recorded and deposited cash receipts timely into the Agency's bank account. The Agency also performed monthly reconciliations. However,

the bank reconciliation reviewed included reconciling items that were over six months old totaling \$3,044.

Recommendation

- 1. Agency management require staff to resolve bank reconciling items timely and adjust program expenditures accordingly.**

REVENUE

Objective

Determine whether revenues are properly recorded and reimbursement claims to OAPP are accurately prepared and calculated. In addition, determine whether fees collected from clients and third party payments (i.e., private insurance, Medi-Cal or Medicare) are accounted for and reported to OAPP.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records and reimbursement claims sent to OAPP.

Results

The Agency did not always collect fees from program participants receiving services or document instances where the Agency waived the fees. Two (25%) of the eight case files reviewed indicated that the Agency should have billed the participants \$2,932 in program services. According to the Agency's staff, the two participants were not billed because they could not afford to pay the fees. However, the Agency did not document the participants' inability to pay. In addition, the Agency's client fee system was not reviewed and approved by OAPP as required by the contract.

Recommendations

Agency management:

- 2. Require staff to document instances where client fees have been waived.**
- 3. Ensure that OAPP reviews and approves the Agency's client fee system.**

EXPENDITURES

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed accounting records and supporting documentation for a sample of seven non-personnel expenditures totaling \$10,736 charged to OAPP from July 2006 to December 2006. We also reconciled the expenditure amounts that the Agency reported on their monthly invoices for October, November and December 2006 to the Agency's accounting records.

Results

The Agency did not always maintain appropriate documentation to support program expenditures. Overall, \$6,636 (62%) of the expenditures reviewed were undocumented. Specifically:

- The Agency charged OAPP \$2,781 for payments made to an independent contractor. However, the Agency did not provide invoices, contracts or other forms of documentation detailing the hours the independent contractor spent on OAPP activities, their billing rates, and the specific nature of the services.
- The Agency charged OAPP \$2,510 for client incentives and program supplies. The Agency did not provide supporting documentation.
- The Agency charged \$1,147 for health and education booklets. However, the Agency did not receive the booklets, and the Agency did not pay the vendor.
- The Agency billed \$198 for facility maintenance that was not supported by vendor receipts or invoices.

Subsequent to our review, Agency provided documentation to support the \$2,781 of \$6,636 in undocumented costs. As a result, the unsupported costs were reduced to \$3,855.

The Agency indicated that the monthly invoices submitted to OAPP were based on the program expenditures recorded in the Agency's accounting records. However, the expenditures recorded in the Agency's accounting records did not reconcile to the amounts reported on the monthly invoices. The Agency billed OAPP \$98,579 for October through December 2006. The Agency's accounting records reported program expenditures totaling \$94,769 resulting in unsupported charges of \$3,810. The Agency acknowledged that some program expenditures that they claimed on the monthly

invoices were not recorded in their accounting records, and they could not explain the reason for the difference.

Recommendations

Agency management:

- 4. Repay DPH \$7,665 (\$3,855 + \$3,810).**
- 5. Ensure supporting documentation is maintained for all OAPP expenditures.**
- 6. Ensure payments to independent contractors are supported by appropriate documentation that includes the specific nature of the services.**
- 7. Ensure that all OAPP expenditures are appropriately recorded in their accounting records.**

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed accounting policies and procedures manual and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

The Agency needs to improve their internal controls over the monthly invoice processing and updating their accounting records. As mentioned in the Expenditure Section, the monthly invoices that the Agency submitted to OAPP did not always reconcile to the Agency's accounting records and they could not explain the reason for the difference.

Recommendation

Refer to Recommendation 7.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with program funds were used for the program and adequately safeguarded.

We did not perform testwork in this section as the Agency did not charge OAPP any costs for the purchase of any fixed assets.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures incurred in December 2006 for six (38%) of the Agency's 16 program employees to the Agency's payroll records and time reports. The payroll expenditures totaled \$11,471. We also reviewed six personnel files.

Results

The Agency maintained documentation in the employees' personnel files to support the salary rates and benefits paid to the employees. In addition, the employee timecards supported the payroll expenditures recorded in the Agency's accounting records.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract, and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed Agency's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from October 2006 to December 2006 to ensure that the expenditures were properly allocated to the benefiting programs.

Results

The Agency's Cost Allocation Plan was in compliance with the County contract. However, as previously mentioned, the Agency's billings to OAPP were not always supported by the Agency's accounting records.

Recommendation

Refer to Recommendations 7.



January 10, 2008

J. Tyler McCauley, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2706

Re: To Help Everyone (THE) Clinic Inc. Audit Response for OAPP Contracts

Dear Mr. J. Tyler McCauley:

Enclosed is our response to the County of Los Angeles draft of fiscal review of Office of AIDS Program and Policies (OAPP) contract for the period of January 1, 2006 – March 31, 2007. Included is documentation that supports our response to the findings detailed in the report.

If you have any questions, please contact me directly at (323) 730-1920 ext. 3007, or our Director of Finance, Sergey Sergeyev, at (323) 730-1920 ext. 3004.

Thank you so much for consideration of our response.

Sincerely,

Jamesina E. Henderson, MBA
Chief Executive Officer

Cc: Sergey Sergeyev, MPA, Director of Finance, THE Clinic, Inc.
Elaine Williams, PhD, Program Director, THE Clinic, Inc.
Martha Tesfaye, Grants Manager, THE Clinic, Inc.
Maria McGloin, Program Specialist III, County of Los Angeles

Joining the Dots. Raising the Spirit.

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HIV/AIDS PREVENTIVE CARE AND CARE SERVICES
FISACL YEAR 2006-2007
TO HELP EVERYONE CLINIC, INC.
AGENCY RESPONSE TO DRAFT AUDIT REPORT

CASH

Finding: The Clinic appropriately recorded and deposited cash receipts timely into the Agency's bank account. The Clinic also performed monthly reconciliation. However, the Agency's bank reconciliation included reconciling items that were over six months old totaling \$3,044.

THE Clinic's Inc. Response: As of April 30, 2007 six outstanding checks that were over six months old are no longer on the list of the outstanding checks. Please see Attachment 1 to this report.

REVENUE

Finding: The Clinic did not always collect client fees from OAPP participants receiving services or document instances where they waived the fees. Two (25%) of eight case files sampled, indicated that \$2,932 in services should have been billed to the OAPP participants. Agency staff indicated that the clients could not afford to pay the fees. However, the Agency did not document in the participant case files those instances where client fees had been waived. In addition, we were unable to verify that the Clinic's client fee system was reviewed and approved by OAPP.

THE Clinic's Inc. Response: THE Clinic, Inc. submitted sliding scale fee policy to the OAPP Director for approval. Please see THE Clinic's Inc. sliding scale policy as Attachment 2 to this report. In addition, THE Clinic, Inc. staff is required to document instances when they waive participant fees.

EXPENDITURES

Finding: The Clinic indicated that the monthly invoices submitted to OAPP were based on the program expenditures recorded in the Agency's accounting records. However, the expenditures recorded in the Agency's accounting records did not reconcile to the amounts reported on the monthly invoices. The Agency billed OAPP \$98,579 during the period reviewed. The Agency's accounting recorded reported program expenditures totaling \$94,769 resulting in unsupported charges of \$3,810. The agency acknowledged that some program expenditures that they claimed on the monthly invoices were not reported in their accounting records.

The Clinic also did not always maintain appropriate documentation to support program expenditures. Overall, \$6,636 (62%) of the expenditures reviewed were undocumented. Specifically:

The Clinic charged \$2,781 for independent contractor payments that were not supported by invoices, contracts or other form of documentation detailing the hours spent on OAPP activities, billing rates and the specific nature of the services.

THE Clinic's Inc. Response: Supporting documentation was located and is enclosed as an Attachment 3 to this report. Furthermore, THE Clinic's independent contractors (medical providers) now are required to prepare activity based invoices disclosing patients' medical record numbers. THE Clinic, Inc. is also in process of signing service contracts (agreements) with all independent contractors (medical providers) under OAPP program.

The Clinic charged OAPP \$2,510 for client incentives and program supplies that were not supported by their accounting records. Also, the Agency did not provide other supporting documentation for the charges.

THE Clinic's Inc. Response: Due to the human error, T.H.E. Clinic, Inc. billed OAPP \$2,510 for client incentives and program supplies that belong to another program. The amount of \$2,510 will be returned to OAPP. In the future, the new Director of Finance will ensure that OAPP is billed only for its expenditures.

The Clinic charged \$1,147 for health and educational booklets that were not received and payment was never made to the vendor.

THE Clinic's Inc. Response: Due to the human error, T.H.E. Clinic, Inc. billed OAPP \$1,147 for educational booklets that belong to another program. The amount of \$1,147 will be returned to OAPP. In the future, the new Director of Finance will ensure that OAPP is billed only for its expenditures.

The Clinic billed \$198 for facility maintenance that was not supported by vendor receipts or invoices.

THE Clinic's Inc. Response: Supporting documentation was located and is enclosed as an Attachment 4 to this report.

INTERNAL CONTROL

Finding: The Agency needs to improve their internal controls over the monthly invoice processing and updating their accounting records. As mentioned in the Expenditure Section, the monthly invoices that the Agency submitted to OAPP did not always reconcile to the Agency's accounting records.

THE Clinic's Inc. Response: T.H.E. Clinic, Inc. recently went under major restructuring of Administrative and Finance Departments, and a result of that the vacant position of Director of Finance has been filled in June 2007. Mr. Sergey Sergeyev, the new Director of Finance, is in the process of updating Accounting Policies and Procedures that will strengthen Internal Control and he will ensure that supporting documentation and billing practices will contain accurate records.

COST ALLOCATION PLAN

Finding: The Agency's Cost Allocation Plan was in compliance with the County contract. However, as previously mentioned, the Clinic's billings to OAPP were not always supported by the Agency's accounting records.

THE Clinic's Inc. Response: T.H.E. Clinic, Inc. recently went under major restructuring of Administrative and Finance Departments, and as a result of that vacant position of Director of Finance has been filled in June 2007. Mr. Sergey Sergeyev, the new Director of Finance, is in the process of updating Accounting Policies and Procedures that will strengthen Internal Control and he will ensure that supporting documentation for all billing invoices will be available for auditors in the future. In addition, a new Cost Allocation Plan was developed by THE Clinic, Inc. and enclosed as an Attachment 5 to this report.